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December 1, 2014

Public Utility Commission of Oregon  
3930 Fairview Industrial Dr SE  
P.O. Box 1088  
Salem, OR 97308-1088

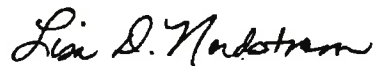
RE: UM 1675 - Idaho Power Company's 2014 Smart Grid Report  
Idaho Power's Reply Comments

Attention Filing Center:

Enclosed for filing in Docket UM 1675 are an original and three (3) copies of Idaho Power Company's Reply Comments. The Reply Comments have been served on the parties to this proceeding as indicated in the Certificate of Service.

Informal questions concerning this filing may be directed to me or Sr. Regulatory Affairs Analyst, Darlene Nemnich, at 208-388-2505 or [dnemnich@idahopower.com](mailto:dnemnich@idahopower.com).

Sincerely,



Lisa D. Nordstrom

LDN:kkt

Enclosure

cc: RA Files  
Legal Files

1 **BEFORE THE PUBLIC UTILITY COMMISSION**  
2 **OF OREGON**

3 **UM 1675**

4 In The Matter of  
5 IDAHO POWER COMPANY,  
6 2014 Annual Smart Grid Report.  
7

**IDAHO POWER COMPANY'S REPLY  
COMMENTS**

8 **I. INTRODUCTION**

9 Idaho Power Company ("Idaho Power" or "Company") respectfully submits these  
10 Reply Comments to the Public Utility Commission of Oregon ("Commission"). These  
11 comments respond to questions raised in comments submitted by the Commission Staff  
12 ("Staff").

13 **II. DISCUSSION**

14 The Company appreciates Staff's comments recognizing areas of improvement in  
15 the 2014 Smart Grid Report ("Report") compared to last year's report. These Reply  
16 Comments provide more detail and clarification in a few areas where Staff indicated there  
17 was insufficient information provided in the Report concerning the pricing plan pilots.  
18 Additionally, Idaho Power is providing cost information on the Conservation Voltage  
19 Reduction ("CVR") pilot as requested in Staff's comments.

20 **A. Pricing Pilot Plans**

21 The bottom of page 1 of Staff's Comments restates recommendation 3 from Order  
22 No. 13-481:

23 *3) In the next Smart Grid Report, Idaho Power provide:*

24 *(a) An update on the current Time of Day (TOD) pilot:*

25 *(b) A time line and specific criteria for how the company  
will analyze critical peak pricing and seasonal pricing structure  
as potential options for IPC customers; and*

26 *(c) Criteria for how the TOD pilot will be evaluated and  
what participant behavior modifications and revenue impact  
outcomes would lead to decisions to expand pilot or not.*

1 In its comments, Staff states that although the Company responded to these  
2 recommendations thoroughly, it is disappointed to see what it views as insufficient  
3 information related to two components of the third recommendation regarding three pilot  
4 programs. Staff specifically requested (1) an explicit timeline for analyzing the critical peak  
5 pricing and seasonal pricing structure pilots similar to what Idaho Power provided in  
6 Appendix G for CVR Enhancements Projects and (2) expanded details of the possible  
7 implementation barriers to the TOD pilot project delineated at the bottom of page 53 of the  
8 Report. Staff's Comments at 2.

9 Although Staff's Comments referenced three pilot programs, Idaho Power believes  
10 that the potential benefits of operating pilots is to acquire knowledge that does not  
11 currently exist. Although Idaho Power currently has TOD and seasonal pricing for the vast  
12 majority of customers residing in Idaho, Oregon has been more reluctant to adopt such  
13 pricing structures. Idaho Power believes it is important to implement seasonal pricing for  
14 all residential customers as a foundation before more sophisticated TOD or critical peak  
15 pricing plans are introduced.

## 16 **Pricing Pilots Timeline**

### 17 Critical Peak Pricing

18 Idaho Power views critical peak pricing as a form of demand response that should  
19 be evaluated if the Company is expected to be in a peak deficit situation and needs  
20 peaking capacity. The timeline for analyzing critical peak pricing as an option is tied to the  
21 Company's capacity planning efforts in the integrated resource planning process. In the  
22 recent past, the Company has not been in a peak deficit situation.<sup>1</sup> The most recent  
23 Integrated Resource Plan ("IRP") (2013) indicates that current available peak resources  
24 are adequate for near-term needs until 2021 on Idaho Power's system. In the next long-  
25 \_\_\_\_\_

26 <sup>1</sup> The 2013 IRP showed a first deficit in 2016. However, with approximately 400 megawatts of existing demand response, the first deficit is now 2021 at the earliest.

1 term plan (2015), Idaho Power will again evaluate whether the Company will need a  
2 peaking resource and whether a critical peak pricing plan is needed. The following is a  
3 high level process description for analyzing and implementing a critical peak pricing plan:

- 4 1. Through its biennial IRP process, Idaho Power monitors when  
5 peaking resources are needed.
- 6 2. Upon determination that peak-hour deficiencies are identified that  
7 cannot be met with existing resources, Idaho Power will evaluate if  
8 those peak-hour deficiencies have characteristics that can be met  
9 with a critical peak pricing offering. If so, a critical peak pricing  
10 option will be scoped and defined.
- 11 3. The critical peak pricing plan as a peaking option is submitted in the  
12 IRP resource stack selection process. This selection process will  
13 determine if the critical peak pricing plan is selected to be a  
14 resource in the preferred resource portfolio, where the selection of  
15 the preferred resource portfolio is based on a balance of cost, risk,  
16 and environmental concerns.
- 17 4. If the critical peak pricing plan is selected as part of the preferred  
18 resource portfolio, critical peak pricing rates are evaluated and  
19 designed. Regulatory approval of a rate tariff is initiated.
- 20 5. Upon regulatory approval of critical pricing rate plan, the project plan  
21 for implementation is developed and includes modification of  
22 internal systems, development of communication, and marketing  
23 collateral.
- 24 6. A critical peak pricing plan is offered to customers.

25 From 2004 through 2012, Idaho Power operated a critical peak pricing option in  
26 Idaho. This pricing plan, called Energy Watch, provided the Company with experience in

1 operating a critical peak pricing rate plan. Therefore, if the Company proposes a critical  
2 peak pricing plan in the future, a pilot may not be necessary.

3 Seasonal Pricing Structure Pilots

4 As stated on page 52 of the 2014 Smart Grid Report, Idaho Power currently has in  
5 place seasonal pricing for all customers system-wide, except for residential customers in  
6 Oregon. Idaho Power desires to incorporate seasonal pricing in all of its customers' rate  
7 plans because it believes that seasonal pricing better reflects the costs to serve  
8 customers, to wit: The cost to serve customers during the peak summer months is higher  
9 than the remainder of the year.

10 Idaho Power has no plans to propose a seasonal pricing structure pilot in Oregon.  
11 Idaho Power has (in the two most recent Oregon general rate cases, UM 213 and UM  
12 233) proposed, and still believes that, mandatory seasonal pricing for all its residential  
13 customers in Oregon is appropriate. Idaho Power expects that it will again propose  
14 mandatory seasonal pricing for its residential customers in Oregon in its next general rate  
15 case filing. The Commission likewise indicated its openness to considering mandatory  
16 seasonal pricing on page 2 of Order No. 12-159 issued in Case No. UM 1415: "At this  
17 time, we are willing to consider mandatory seasonal rates for any customer class. We  
18 would evaluate any such proposal on its merits, based on a comprehensive review of the  
19 factors adopted in this order."

20 **TOD Pilot Implementation Barriers**

21 As indicated on page 53 of the 2014 Smart Grid Report, "Idaho Power is  
22 considering offering an optional residential TOD rate plan to its Oregon service area  
23 customers." Although such an offering currently exists in the Company's Idaho  
24 jurisdiction, several issues must be addressed before such a program could be proposed  
25 for its Oregon customers.

26

1           The first issue is when to file the new rate schedule. New rate plans are typically  
2 introduced in the context of a general rate case. Idaho Power does not presently know  
3 when it will file a general rate case in Oregon.

4           As discussed in the TOD study findings on pages 19, 20, and 53, as well as  
5 Appendix D of the 2014 Smart Grid Report, the Company did experience some revenue  
6 loss in its Idaho jurisdiction due to the movement of customers from Idaho Schedule 1, the  
7 Standard Plan, to Idaho Schedule 5, the Time-Of-Day Pilot Plan. Idaho Power may be  
8 unable to collect its authorized revenue requirement as more customers migrate to the  
9 TOD plan. Before Idaho Power implements a TOD rate offering in Oregon, options for  
10 mitigating this loss of revenue requirement need to be evaluated.

11           Several infrastructure changes also would need to occur before a TOD pilot could  
12 be implemented in Oregon. For example, any new TOD rate design would need to be  
13 modeled and tested in the Company's Customer Relations and Billing system, and the  
14 usage data being collected through the Automated Metering Infrastructure system would  
15 need to be coded to combine usage in the correct time blocks or pricing periods.  
16 Currently, Idaho Power offers customers in Idaho a rate comparison model on its website  
17 where customers can sign into their Idaho Power account and, using their historical usage,  
18 compare their expected annual difference between being on a standard rate and the TOD  
19 rate plan. In order to offer this tool to its Oregon customers, Idaho Power would have to  
20 work with its third-party software provider to add new calculations and web screens for this  
21 offering.

22 **B.     Conservation Voltage Reduction**

23           Based on language found on page 3 of Staff's Comments, it appears that there  
24 may be confusion about the installation of a Distribution Management System ("DMS") on  
25 Idaho Power's system. While it will likely assess the feasibility of installing a DMS in the  
26 future, Idaho Power has made no decisions to date nor has a project been identified.

1 In its Comments, Staff indicated that it would like to see estimated or actual costs  
2 of the CVR pilot in the Company's reply comments. Below is summary of the estimated  
3 costs of the CVR pilot.

4	Labor	\$157,000
5	Material	82,000
	Contingency	<u>24,000</u>
6	<b>Total</b>	<b>\$263,000</b>

7 **III. CONCLUSION**

8 The Company appreciates the opportunity to file these comments and respond to  
9 questions raised by Staff. The Company requests that the Commission accept its 2014  
10 Smart Grid Report as having met the requirements of Order No. 12-158 established in UM  
11 1460.

12 Respectfully submitted this 1<sup>st</sup> day of December 2014.

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LISA D. NORDSTROM  
Attorney for Idaho Power Company

**CERTIFICATE OF SERVICE**  
**UM 1675**

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I hereby certify that on December 1, 2014, I served a true and correct copy of IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

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